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SUBJECT: Senior GOP Officials Express Doubts About Contractor for  
Panama Canal Locks

REF: 2009 PANAMA 0550

CLASSIFIED BY: Stephenson, Ambassador; REASON: 1.4(B), (D)

¶1. (C) Senior GOP Officials have expressed doubts to the Embassy and to members of a visiting U.S. Congressional delegation about the ability of the GUPC Consortium led by Spanish and Italian firms Sacyr and Impregilo to carry out the work on the expansion of the Panama Canal.

¶2. (C) At a December 29 lunch with the Ambassador, Vice President/Foreign Minister Juan Carlos Varela expressed serious concerns about GUPC, raising the topic by saying dramatically, "The Canal expansion project is a disaster." He described the companies that are leading the consortium as being in deep financial trouble and expressed his dismay that the same companies that cannot do the Canal expansion are now trying to win the bid for the Panama City Metro project. "In two or three years," he continued, "it will be obvious this was all a failure." (Note: VP Varela is sensitive to possible failures with the Canal Expansion and Metro Projects, because his aspiration to be elected President in 2014 is currently highly dependent on a successful on-time completion of the projects. End Note.)

¶3. (C) Varela again voiced his concerns on January 3 in a conversation with DCM and visiting CODEL member U.S. Rep. Pedro Pierluisi of Puerto Rico. Varela told Pierluisi that the consortium was "very weak" and he had "real doubts" about their ability to perform. Separately, Varela said to DCM, "You don't mess around with something as important as the Canal. When one of the bidders makes a bid that is a billion dollars below the next competitor, then something is seriously wrong. Of course I hope for the best, but I'm afraid that Alberto [Canal administrator Alberto Aleman] has made a big mistake." See reftel.

¶4. (C) President Martinelli expressed similar doubts in a conversation with Ambassador on the margins of a GOP presentation to the CODEL on January 4. When the Ambassador asked how he thought the Canal expansion project was going, Martinelli grimaced and indicated he was a bit worried. He said that he feared that Canal Administrator Aleman might have tipped the bid toward the consortium that included CUSA, which is run by his cousin Rogelio Aleman.

¶5. (C) Comment: While we at the embassy have heard rumblings of tussles within the winning consortium as the lead contractor tries to squeeze subcontractors to bring costs down to the low winning bid, we have not thought the expansion project to be in any real trouble. Certainly Canal Administrator Aleman remains very upbeat about the project, both in public and in private, and we have always regarded him as a highly capable manager with unimpeachable integrity. Given that the Vice President is now raising his concerns with visiting Codels, however, we thought it best to let

Washington know that there are concerns and there may possibly be real trouble. Post provided relentless advocacy for the Bechtel bid on the Canal expansion and understands through our continuing close contacts with Bechtel that they, with their reputation for coming in to clean up messes, are keeping a close eye on how the project is advancing (or not). End comment.  
STEPHENSON